Approved For Release 1999/08/30 : CIA-RDP78-05256A000100090019-5

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VIA:						
	SPECIFY	AIR	OR	SEA	POUCH	

DISPATCH NO.:



DATE: 19 September 1949

25X1A9a 25X1A6a TO

: Foreign Branch "M"

FROM

SUBJECT:

Attn.:
Chief of Station,

25X1A6a

General -Administrative

Specific - Shortage

REF

: WASHT 0085

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1. The financial control account maintained by this office consists of an account to which charges are made for all advances made to by us and credits are given for all accountings submitted by after being approved and vouchered. All balances reported by this office are extracts from this account. Theoretically it should be possible to reconcile all incoming accountings to this account by adding to their balances only amounts advanced subsequent to the period for which accounting is made. In practice, due to factors, some of which will be mentioned, it has been necessary to add variable "plug" figures to effect such reconciliation, until it was possible to correct discrepancies involved.

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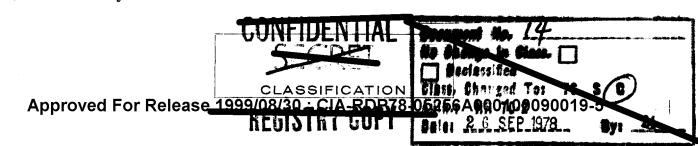
2. In the early period of operations, due to operational necessity, we were called upon to make advances on short notice and in unusual manners and places, which obviously complicated accounting. In order to facilitate the latter, several times during an accounting period we would inform bookkeeper of previous amounts of advances and in some cases advances received in one period were not recorded in its report, but in a latter one. Repeated advice of such advances was furnished and, in retrospect, it would appear that money was either by-passing bookkeeping office or a shortage had developed. In all conversations on money matters, however, no inkling was received of possible discrepancies in funds on hand or amounts received from this office, with exception of a small advance of which was repaid without appearing on the report. 25X1A6a 25X1A6a

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3. As result of abnormal delay, the report for the period subsequent to that in which a shortage of \$800.00 apparently occurred, was not received in the finance office until about the middle of December 1948, at which time a possible shortage would appear likely. Immediate reporting of such likelihood to headquarters at that time did not appear to be the most suitable method of settling the discrepancy, in view of instructions received in somewhat similar circumstances to settle matters locally.



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4. A short time thereafter DENTIA ormally apprised that a shortage existed in funds. Conclusions were that the apparent shortage was 25X1A6a part of a general larger one resulting from loose handling of funds, the discrepancy in the financial report was probably a typographical error and balances of funds in the mancial reports were of little significance until their true 25X1A6a status might be ascertained. Investigation of funds was conducted by COS Projects Control office, which has in the past instructed bases on the preparation of projects accountings and reports and the keeping of base funds. Collaboration of Finance Office in this investigation consisted of furnishing the account and 25X1A6a subsidiary records to the investigator for use, devising a set of disbursing accounts designed to give the and and offices better financial control, furnish-25X1A6a ing balances of the account as requested and asking that Headquarters return 25X1A6a certain voucher receipts for use of the investigator. 25X1A6a

> 5. Although the point was not specifically mentioned it was the belief of the writer that before results of the investigation were submitted in final form they would be balanced against the control account and he would participate in their reconciliation. This belief was strengthened by comment from headquarters on a preliminary summary of the shortage, which was seen and interpreted as meaning that the net discrepancy found would be transferred to a suspense account there, which would seem to involve of a voucher in the Finance Office based on the report of the investigation. With receipt of the accounting for June 1949, which was processed around the first of August, changes were found to have been made in the opening currency balances. Questioning revealed that a final report, on which changes of currency balances had been based, was previously forwarded to headquarters. Not being listed on the distribution of such report, Finance was not aware of its completion. After effecting adjustments indicated in this report and using currency differences found therein as a reconciling figure, a difference still existed in the amount of \$800.00 and headquarters was forthwith advised of it.

6. Factors contributing to the failure of the report to detect the shortage of \$800.00 appear to be: (1) As base of departure of the investigation there was taken a presumed balance of the account as of 1 July 1948 rather than the actual beginning of operations in March of that year; (2) Findings of completed report were not reconciled with control account prior to submission to headquarters

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